S/790-1

FLORIDA PUBLIC SERVICE COMMISSION

1986
ANNUAL REPORT

Copies of this report can be obtained from the Florida Public Service Commission, Public Information Office, 101 E. Gaines Street, Tallahassee, Florida 32399-0850.

CONTENTS

The Commission	1
Commissioners in 1986	2
Rate Cases	3
The Public Service Commission in 1986	4
Executive Director	6
Deputy Executive Director/Technical	
Division of Auditing and Financial Analysis	7
Division of Communications	9
Division of Electric and Gas	15
Division of Research	23
Division of Water and Sewer	25
Deputy Executive Director/Administrative	
Division of Administration	27
Division of Consumer Affairs	29
Division of Information Processing	30
Division of Records and Reporting	31
General Counsel	33
Division of Appeals	34
Division of Legal Services	37
Index to Charts	39

THE COMMISSION

The Florida Public Service Commission consists of five members selected for their knowledge and experience in one or more fields substantially related to the duties and functions of the Commission. These fields include economics, accounting, engineering, finance, natural resource conservation, energy, public affairs or law.

The Governor appoints a Commissioner from the nominees selected by the Public Service Commission Nominating Council. Commissioners are appointed for four-year terms and appointments are subject to confirmation by the Florida Senate.

THE COMMISSIONERS IN 1986

KATIE NICHOLS

Commissioner Nichols was unanimously selected by Commissioners in 1986 to serve a two-year term as Chairman, beginning January, 1987. She was appointed by Governor Graham for a four-year term beginning in January, 1981 and was reappointed for a term beginning January, 1985. For several years prior to her appointment to the PSC, Nichols studied utility regulation, attending meetings and hearings of the Commission.

GERALD L. GUNTER

Commissioner Gunter was appointed by Governor Askew and took office in January, 1979. He was appointed by Governor Graham to a four-year term beginning January, 1983, and reappointed by Governor Graham to a four-year term beginning January, 1987. Gunter has a Masters Degree in Management and is a former city councilman of Titusville.

JOHN T. HERNDON

Commissioner Herndon was appointed by Governor Graham and took office in January, 1986. He was reappointed by Governor Graham to a four-year term beginning January, 1987. Herndon was born in St. Petersburg and served in the Governor's Office as Chief of Planning and Budgeting, and then as Chief of Staff. He has a Masters Degree in Social Work.

JOHN R. MARKS III

Commissioner Marks, who served as Chairman of the Commission in 1985 and 1986, submitted his resignation at the end of 1986, effective March 1, 1987. Marks was originally appointed by Governor Graham in March of 1979. He was twice reappointed, and at the time of his resignation was serving a four-year term which began in January, 1986. Marks, a native of Miami, is an attorney and was previously a Hearing Examiner with the PSC.

MICHAEL McK. WILSON

Commissioner Wilson was appointed by Governor Graham in July, 1985, and was reappointed to a four-year term beginning in January, 1986. Wilson, who was born in Marianna, is an attorney and formerly was Deputy Public Counsel with the Office of the Public Counsel.

RATE CASES

The Commission has the responsibility to set rates which are fair and reasonable. It also is required to set rates to allow utility investors an opportunity to earn a reasonable return on their investment.

Any regulated utility can ask for a rate increase whenever the utility believes it is not earning a fair rate of return.

Any regulated utility also is subject to a full rate review if the Commission's continuing surveillance program indicates the utility may be earning more than the authorized return.

In either case, the utility is required to file detailed information showing the revenue and expenses for a full twelve months. This information, as well as all other relevant data in the books and records of the utility, is thoroughly reviewed by the Commission's staff of auditors, accountants, analysts, economists, attorneys and engineers. The Public Counsel, who represents customers, can participate as can any other interested party.

Public hearings are held within the utility's service area to allow customers to tell the Commissioners about service problems, comment on the proposed rates or make any other statement relating to the utility's operations.

After investigation of the data filed by the utility is completed, additional public hearings are held to allow the utility to present its case to the Commissioners and to allow other parties to test the validity of the evidence presented.

The utility is required to justify all of its expenses for the operations of the utility. An expense which the Commission determines is improper or unnecessary is disallowed and is excluded from the amount the utility is allowed to collect from customers.

The Commission also looks at the amount utility stockholders have invested in plants and other facilities and allows a reasonable return on the investment necessary to provide good service.

Rates are calculated to produce the amount needed for the approved expenses plus the authorized return. Since expenses which the Commission considered imprudent or unnecessary are not included in the revenue requirement, the utility has the opportunity to achieve the authorized return only if management eliminates the unnecessary expenses and operates efficiently. There is no guarantee that the authorized return will be achieved.

Many questions are raised in each rate case, and the Commission's decision on each issue must be based on the evidence presented in the hearings.

After the final order is issued, the Commission's decisions can be appealed to the State's appellate court system.

THE FLORIDA PUBLIC SERVICE COMMISSION IN 1986

The emphasis of Public Service Commission actions in 1986 continued to shift from reviewing utility rate increase requests to pursuing refunds and rate reductions.

In the major electric and communications industries, there was not a single request for a rate increase. Instead, the Commission initiated investigations and negotiations to pass along benefits or reduced revenue requirements to customers without lengthy and expensive rate cases.

The situation reflected changes in the economy, including lower interest rates, and consideration of the effects of national tax reform which will result in tax savings in 1987.

Some rate increase activity continued in the smaller natural gas and water and sewer utility industries due to growth, improvements, environmental protection requirements and price increases.

In addition to dealing with the revenue requirements for utilities which collected some $13 billion from customers for service in Florida, the Commission faced complex changes in the electric and communications industries.

The growth in the number of small electric power producers, or cogenerators who generate electricity as a by-product, raised questions of how this new power source would affect the long-range planning to determine the need for new power plants. Other questions which required lengthy hearings involved establishment of a price that would be fair to the small producers without adding cost for utility customers and ways to get the available power from the small producers to the utility that needed it at the time.

In communications, the effects of technological advances were added to continuing complications in the restructuring of the industry to accommodate competition and deregulation following the breakup of AT&T.

The Commission studied a developing technology called Shared Tenant Services, where modern electronic PBXs or switches give operators the capability to provide telephone service and other enhanced services to all the tenants in an office building or complex. The Commission determined that the service would be beneficial for tenants without harming other customers if offered on a limited, single-building basis. Exemptions were provided for essential functions of airports, hospitals, nursing homes and licensed retirement facilities. The issue is subject to review by the 1987 Legislature.

After a series of hearings, the Commission ordered a 1987 reduction in Access Charges, which are the amounts which long distance companies pay the local telephone company to use the local network for long distance calls.

AT&T was ordered to further reduce long distance rates in Florida when the Access Charge reductions were fully implemented. Although the Commission does not establish rates for the smaller long distance companies, competitive pressures were expected to require them to pass along the savings.

New companies continued to file for certificates allowing them to enter in the long distance competition and hundreds of private companies were authorized to provide pay telephone service in competition with local telephone company pay phones.

Deregulation of telephone wire and telephone jacks inside homes was completed in 1986, and the Commission approved the last of the local telephone company plans to deregulate the provision of telephone instruments through the regulated company.

WATS and 800 long distance services also were restructured, giving customers the option of choosing these services on less than a Statewide basis.

In addition to all of these developments, the Commission conducted management audits to review the performance of utilities, conducted tests to make sure communications companies complied with standards, initiated an electric safety program and conducted research to determine the future impact of changing situations.

More detailed information on these changes and on other actions of the Commission in 1986 are provided in the other sections of this report.

EXECUTIVE DIRECTOR

DAVID SWAFFORD

The Executive Director is, essentially, the chief of staff of the Commission with general responsibility over the technical and administrative operations of the Commission. He coordinates the activities of the divisions, is responsible for the implementation of Commission policies, and makes recommendations for the development and articulation of policy questions. The Executive Director coordinates inter-agency and legislative liaison, and consults with and advises the Commission on economic and governmental matters.

The office includes two Deputy Executive Directors.

William Talbott is Deputy Executive Director over the technical divisions, including Communications, Electric and Gas, Water and Sewer, Auditing and Financial Analysis, and Research.

Jay McGlon is Deputy Executive Director over the Administration, Consumer Affairs, Records and Reporting, and Information Processing Divisions.

This division of executive duties helps to facilitate the flow and efficiency of the Commission's workload, as well as providing the proper direction and leadership for the staff.

DIVISION OF AUDITING AND FINANCIAL ANALYSIS

TIM DEVLIN, DIRECTOR

The Division of Auditing and Financial Analysis serves as the principal advisor to the Commission on matters pertaining to taxes, capital recovery and finance; performs audits and issues reports on regulated utilities. Of the 64 positions in the division, 15 are filled with persons possessing CPA certificates, 7 with MBA's, 7 with MA or MS and one PhD.

The Field Audit Support is provided by a staff of accountants, engineers, economists, and computer audit specialists. The trend to full mechanization continues and resulted in a greater quality and quantity work product coupled with a staff reduction which is directly attributed to the acquisition of portable computers. The following audits were completed in 1986: Electric - 28; Gas - 54; Telephone - 20; Water and Sewer - 45.

Management Studies Bureau formally presented the final report from the Northeast Telephone review to the Commission and presented the first two parts of the Florida Power & Light Management Audit on EDP and Internal Audit. Other sections of the FP&L Management Audit in the report writing phase are Power Production, Customer Services, System Operation, Transmission and Distribution, and Organization and Management. Implementation monitoring programs continued with recommendations to seven companies being monitored: Gulf Power, Tampa Electric, General Telephone, Southern Bell, United Telephone, Northeast Telephone and Florida Power & Light. Initial audit planning was conducted on a Southern States Utilities management review and outside services study. Two studies are to be performed in 1987. As Contract Administrator for the FPSC staff, Management Studies processed 6 new consulting contracts during the year. The staff participated on the National Association of Regulatory Utility Commissioners (NARUC) Ad Hoc Management Review Group by developing a data base on all management studies conducted by state regulators to date and by being instrumental in getting the Ad Hoc Committee adopted as a full NARUC Staff Subcommittee. The Bureau Chief presented a paper at the Biennial Regulatory Information Conference in Ohio on "Developing an In-House Management Auditing Staff," and another staff member developed a seminar on "Dealing with Angry Customers and Consumers."

The Bureau of Depreciation finalized the rules for retirement units and subcategorization for gas utilities. For electric utilities, a series of workshops resulted in a final list of retirement units that are now ready to proceed through rulemaking and final adoption. Depreciation studies were completed for three electric companies: Florida Power and Light, Florida Power Corporation, and Florida Public Utilities. Although only Florida Public Utilities was finalized, the other two, FPL and FPC, were postponed by other Commission action. Two gas utilities having depreciation studies finalized were Florida Public Utilities and Gulf Natural. Quincy Telephone, Florala Telephone, Northeast Telephone, Central Telephone and United Telephone had depreciation studies finalized, and Southern Bell and General Telephone had amortization schedules approved.

The Tax Bureau worked closely with the Treasury Department and Internal Revenue Service which finalized regulations on Interest Synchronization. The final regulations resulted in the closing of over a dozen dockets that remained open on this issue. Staff also participated with eight companies in preparing letter ruling requests of the IRS. Tax reform legislation was monitored throughout 1986, the impact of the Tax Reform Act of 1986 was studied and a tax investigation was opened for tax reform in general and CIAC specifically. Four gas rate cases required the participation of the Tax Bureau, as well as several generic studies and rule dockets. The staff acted as advisor to the industry divisions on tax matters as they arose during the year. The Depreciation Bureau requested assistance from the Tax staff for two depreciation studies that provided cross-training for the staff. The Bureau Chief presented a paper on "A Sanity Check for Income Tax" at the Biennial Regulatory Information Conference in Ohio.

The Finance Bureau participated in four gas rate cases and acted as advisory on other cases for the industry divisions during the year. The paper on "Pro Rata Versus Tracing of Funds" was completed, and an award winning article on "Quarterly DCF and Ratemaking Rate of Return" was presented at the Georgia Public Utility Conference. Comments were prepared and sent to FERC on the generic rate of return on equity for electric utilities. The Star Grant to PURC resulted in a paper and model addressing the optimal capital structure and the effect of leverage on the cost of equity.

DIVISION OF COMMUNICATIONS

WALTER D'HAESELEER, DIRECTOR

The Division of Communications is responsible for providing information and making recommendations to the Commissioners on matters concerning telecommunications. In addition, the Division provides telecommunications information and assistance to members of the general public as well as other governmental bodies and the press. Telecommunications companies currently regulated by the Public Service Commission include local exchange telephone companies, long distance interexchange telephone companies, and competitive pay telephone service providers.

Rate Cases and Overearnings Reviews

During 1986 the Division was heavily involved in reviewing earnings levels for several of the rate base regulated telephone companies. After an investigation of the earnings of AT&T-Communications, a settlement was negotiated to reduce long distance rates by $8 million. That stipulation also states that AT&T will refund any revenues earned in 1986 over those necessary to produce a return on rate base of 10.05%. At the end of 1986, another investigation was opened to review the company's earnings, particularly in light of the changes in cost of capital and the effect of tax savings from the Tax Reform Act of 1986.

Southern Bell earnings were reviewed by staff to determine the effects of reduced costs of capital and the Tax Reform Act of 1986. At the December 16, 1986, Agenda, a stipulation was approved which takes into account effects of tax savings and depreciation rate changes and states that if the company is able to achieve a rate of return on equity in 1987 in excess of 15%, the company will apply the excess amount as a credit to subscribers during 1988. Another part of this stipulation required Southern Bell to reduce its intrastate access charges effective February 1, 1987, by $31 million annually. Further, the company will not initiate a general rate increase or general rate restructure before July 1, 1988, nor will other parties initiate or support any action seeking to further reduce Southern Bell's 1987 earnings or authorized rate of return.

General Telephone Company's earnings also were being investigated to determine the impact of the reduced cost of capital and the Tax Reform Act on its earnings. Negotiations to arrive at a stipulated settlement were being conducted during the 4th quarter of the year and will continue into 1987.

At the end of the year, United Telephone Company's earnings were being reviewed in three separate dockets. One was opened as a result of a staff recommendation to review the effect of reduced cost of capital and the Tax Reform Act. The other two resulted from petitions from the Office of Public Counsel to reduce United's return on equity from 15.75% to 12.25% and reduce rates by $16,907,000 to reflect the impact of the Tax Reform Act. As of the end of the year, negotiations were being conducted to reach a stipulation concerning these dockets.

The 1985 earnings of Central Telephone Company were reviewed and the company was ordered to refund $5,906,000 to customers. In addition, the depreciation expense and reserve was increased by $3,604,000 and an additional amount of $1,654,000 was placed in an escrow account to fund the costs of furnishing equal access.

In addition to the review of 1985 earnings, dockets were opened during 1986 to review current earnings. One docket was opened by staff to review the impact of the reduced costs of capital and the Tax Reform Act on Centel earnings and the others were opened as a result of petitions from the Office of Public Counsel. The petitions requested the Commission to reduce Centel's return on equity from 14.50% to 12.25% and reduce rates $6,506,000. Negotiations will be conducted in early 1987 to attempt to reach a stipulation on the effect of all these changes.

The earnings of St. Joseph Telephone Company were reviewed in two separate proceedings during 1986. One docket was concluded with the decision that the company did not overearn in 1984 and another was opened to review the company's 1985 earnings. The investigation of 1985 earnings will continue into 1987.

Access to Long Distance Telephone Companies

Two major hearings were held during the year concerning access. As a result of May hearings, the Commission determined to retain toll transmission monopoly areas for local telephone companies. As a result of August hearings, the Commission decided in October to retain the bypass restriction and clarified how that exception could be invoked.

On December 15, 1986, the Commission held a Special Agenda and adopted a plan to reduce intrastate access charge rates. The Commission's Proposed Agency Action order would require those rates to be reduced February 1, 1987. AT&T was also ordered to reduce its long distance rates to reflect its reduced costs from the reduction in access charges.

As a part of increasing competition in the interexchange market, Southern Bell has continued during 1986 to convert offices to equal access so that any customer in those offices can choose which carrier handles long distance calls outside the local telephone company's toll monopoly area when the customer dials "1+". During 1986, General Telephone Company began implementing its equal access implementation program. The following table identifies the extent of conversions and indicates that 67.3% of all access lines in the state were converted to equal access by the end of 1986.

EQUAL ACCESS CONVERSIONS
1986 EQUAL ACCESS ACTIVITY

	Total	EQUAL ACCESS CONVERTED 12-31-85	(%)	During 1986	(%)	12-31-86	(%)
Southern Bell							
End Offices	194	100	(51.5%)	31	(16.0%)	131	(67.5%)
Access Lines	3,629,968	2,811,281	(77.4%)	380,272	(10.5%)	3,191,553	(87.9%)
General Telephone							
End Offices	107	0	(0)	59	(55.1%)	59	(37.6%)
Access Lines	1,394,549	0	(0)	909,970	(65.3%)	909,970	(65.3%)
TOTAL STATE							
End Offices	505	100	(19.8%)	90	(17.8%)	190	(55.1%)
Access Lines	6,098,323	2,811,281	(46.1%)	1,290,242	(21.2%)	4,101,523	(67.3%)

Certification of Long Distance Companies

During 1986 twenty-two new certificates were issued. Of these, eight certificates were for a special category of interexchange companies known as Shared Tenant Service Providers who generally limit the offering of their services to tenants in a single building or building complex.

Pay Telephone Service

In 1985, the Commission began to allow companies, other than the local exchange telephone companies, to provide pay telephone service. During 1986, the Commission approved 847 pay telephone certificates and cancelled the existing certificates of 212 certificate holders. As of December 31, 1986, 1,341 certificates had been granted and 212 had been cancelled leaving a net active number of certificates of 1,129 at the end of the year.

Revenue Settlements

Traditionally, local exchange telephone companies pooled and then separated among themselves the total revenues received statewide for long distance telephone calls. With divestiture and the imposition of access charges, the Commission began implementing bill-and-keep plans to promote efficiency. The first phase of this was to began bill-and-keep of access charges in 1985.

The second phase of going to a bill-and-keep environment concerns revenues from intracompany toll in the local company's toll monopoly areas. The Commission held hearings on the issues in 1986 and decided to implement an access-like primary carrier plan on a regional basis by

July 1, 1987. Staff was directed to work with the industry to develop a bill-and-keep plan to implement the Commission's policy decisions. Staff has held several workshops, and it is anticipated that hearings will be held in March 1987 to finalize the bill-and-keep plan.

Deregulation of Telephones

The Federal Communications Commission (FCC) established criteria for the deregulation of telephones leased by the local telephone companies and set a December 31, 1987, deadline. By the end of 1986, the FPSC had reviewed and issued orders approving deregulation plans for all Florida companies. The following schedule provides a summary of key provisions of the deregulation plans as well as the financial impact of the deregulation in Florida.

DEREGULATION PLAN SUMMARY

COMPANY	DEREGULATION DATE SINGLE LINE	DEREGULATION DATE COMPLEX	SEPARATE AFFILIATE REQUIRED?	REVENUE REQUIREMENT INCREASE/DECREASE
ALLTEL	9/30/86	9/30/86	No	$ 103,000
CENTRAL	7/1/86	7/1/86	No	$ (1,281,000)
FLORALA	1/1/87	1/1/87	Yes	$ 10,186
GENERAL	6/1/86	6/1/86	Yes	$ (15,467,500)
GULF	12/31/86	10/31/86	Yes	$ (22,615)
INDIANTOWN	1/1/87	1/1/87	Yes	$ 18,404
NORTHEAST	7/1/86	7/1/86	Yes	$ 5,556
QUINCY*	12/31/90	12/3190	No	N/A
SOUTHERN BELL	1/1/84	1/1/84	Yes	N/A
SOUTHLAND	1/1/87	1/1/87	No	$ (25,000)
ST. JOSEPH	1/1/87	7/1/86	Yes	$ (15,000)
UNITED	12/31/87	12/3187	No	$ 1,116,000
VISTA-UNITED	1/1/87	1/1/87	No	$ 361,000

*Quincy obtained an extension on the deregulation date from the FCC and the FPSC. Deregulation is to occur no later than 12/31/90 with the in-place instruments being turned over to the customer upon deregulation.

Deregulation of Inside Wire

During 1986, the FCC continued its push to foster competition in the telephone industry through the vehicle of deregulation. The FCC required that telephone wire and jacks inside homes and the maintenance of all inside wiring be deregulated by January 1, 1987.

By the end of 1986 the Florida Public Service Commission had completed its review of the inside wire deregulation plans of all 13 telephone companies operating in Florida and insured full compliance with FCC requirements.

Extended Area of Service (EAS)

Fifteen new EAS dockets were opened in 1986 along with 4 boundary change dockets. Five dockets were completed and optional toll-PAC was ordered for the ten routes involved. The Commission was involved in two EAS hearings during the year and one county commission (Volusia County) meeting. Also during the year, one new EAS route (Monticello-Tallahassee) was approved.

Toll/WATS Rates

As mentioned in the rate case discussion, AT&T reduced message toll (MTS) and WATS rates in October of 1986. As a result of this change, many of the competitive interexchange companies also made reductions in their long distance rates and staff reviewed those associated tariffs.

Following the restructuring of OUTWATS Service in 1985, the Commission completed the restructuring of 800 WATS in August, 1986. The purpose of restructuring was to split 800 WATS service into separate inter- and intra-LATA services consistent with the Modified Final Judgement. With this restructuring the customer can now subscribe to inter-LATA only, intra-LATA only, or a statewide WATS offering which combines an intra-LATA with an inter-LATA add-on offering.

During 1986, the Commission determined that some degree of competition existed in Florida's interexchange market and concluded that some reduced level of regulation was appropriate for AT&T. AT&T was granted the authority to adjust rates for its existing MTS and WATS services within a specified range. Rate changes within that range would become effective on 30-days notice. The cap was set at the April 30, 1986 tariff level and the floor was set equal to switched access charges plus billing and collection charges.

Service Evaluations

Five local exchange telephone company (LEC) service evaluations were performed in 1986. Three of the evaluations were in equal access areas and a total of 37 interexchange carriers were tested. In addition, 867 LEC and 224 non-LEC pay phones were evaluated.

Generic Investigations, Rules and Other Items of Interest

During 1986 the Commission completed a four-year generic investigation which culminated in the promulgation of a private line/special access costing manual. It will be used to assist the Commission in setting appropriate rates for nonswitched services.

One of the major staff efforts during the year involved the Shared Tenant Services (STS) investigation. The staff examined all existing situations, tariffed or otherwise, in which sharing of access lines occurs. During the 1986 Legislative Session, the Legislature authorized a limited form of shared tenant service and directed the Commission to make a finding on whether such offerings are in the public interest by January 15, 1987. Hearings were held in October and the staff's recommendation on Shared Tenant Service was prepared in December, 1986. The Commission voted to allow a limited, single-building form of STS by July 1, 1987, and was scheduled to report its findings to the 1987 Legislature.

Several issues remained in the Commission's investigation of equipment and services for the hearing impaired that were not finalized in 1985. As a result of the Commission's 1986 investigation, the Commission adopted the "ear with a slash" symbol to be included in telephone directories when requested by hearing impaired individuals.

One significant tariff approval during the year concerned Southern Bell's proposal for a late payment charge of 1-1/2%. The tariff was approved on an interim basis effective June 16, 1986 and is to be reviewed after one year of experience. Staff is reviewing quarterly reports being filed by Southern Bell on the effect of this late payment charge.

During 1986, staff continued its ongoing earnings surveillance program and continued to make improvements on computerization of the monthly surveillance report. As a result of the continuing surveillance program, audits were conducted of AT&T, Indiantown, Northeast, Quincy, and United Telephone Companies.

The Division also assisted in the preparation of comments to the FCC on separations and accounting issues which could substantially impact Florida ratepayers.

DIVISION OF ELECTRIC AND GAS

JOE JENKINS, DIRECTOR

Electric Utility Rate Level Regulation

Although no electric utility rate cases were processed during 1986, there were other significant events that affected the electric utilities---the Tax Reform Act of 1986 and a decline in the required return on equity.

As a result of the Tax Reform Act, the top corporate income tax rate was reduced from its current 1986 level of 46% to 34% effective July 1, 1987. For the year 1987, the effective rate is 39.95% which represents a blend of the two rates. The Act also repealed the investment tax credit, introduced a new corporate Alternatives Minimum Tax and introduced a new depreciation system, the Modified Accelerated Cost Recovery System.

In the last major electric utility rate case, processed during 1985, Tampa Electric Company's (TECO) return on equity was set at 14.50%. The authorized returns on equity for the three other major electric utilities are 15.60% for Florida Power & Light (FPL) and Gulf Power Co. (GPC) and 15.55% for Florida Power Corp. (FPC). These higher returns on equity were set prior to TECO's. Since the TECO rate case, however, the returns on equity have continued to decline.

For FPC, the effects of the tax changes and the lower required return on equity were addressed in an argument to reduce rates for 1987. The Commission approved a stipulation between FPC and Public Counsel that resulted in an annual reduction in rates of $54,000,000, beginning January 1, 1987.

As of the end of 1986, there were numerous dockets open concerning the appropriate treatment of the tax savings as a result of the Tax Reform Act of 1986. In addition, the appropriate required returns on equity that should be authorized for the electric utilities are the subject of other dockets. Negotiations were being held among the electric utilities, Public Counsel and the Commission staff in an attempt to reach a satisfactory stipulation concerning the treatment of the tax savings.

Natural Gas Utility Rate Level Regulation

Three gas utility rate cases were finalized during 1986. In addition, one rate case was filed late in the year and will be finalized during 1987. A major issue in these 1986 rate cases was the effect of dropping oil prices on the loss or potential loss of interruptible customers. Also, during 1986, one gas utility was required to refund earnings above its authorized rate of return. Plant City Gas Company refunded $17,045, including interest, to its Hillsborough County customers. Summary information on completed rate cases follows:

Company	Amount Requested	Amount Granted	Authorized Rate of Return
Florida Public Utilities	$ 1,923,989	$ 1,262,781	14.50%
Peoples Gas	16,461,000	12,776,000	14.25%
West Florida	1,114,705	694,808	13.15%*

*Note: West Florida's ROR was 13.85%, reduced by 70 basis points in penalties.

Energy Broker

The Energy Broker and the Expanded Broker systems continue to provide tremendous savings to Florida's ratepayers. Total annual savings from the systems exceeded 77 million in 1985, a record. The total annual savings for 1986 through September 1986 exceeded $27 million. One major factor contributing to the decrease in broker sales for 1986 was the falling price of oil. Since inception of the Energy Broker in 1978 and the Expanded Broker experimentation in 1982, fuel savings have been:

YEAR	ENERGY BROKER	EXPANDED BROKER	TOTAL
1978	$ 16,502,000	-	$ 16,502,000
1979	22,195,210	-	22,195,210
1980	43,250,786	-	43,250,786
1981	62,164,045	-	62,164,045
1982	64,154,245	$ 4,450,071	68,604,316
1983	55,613,857	14,176,573	69,790,430
1984	44,891,949	9,940,614	54,832,563
1985	60,432,753	16,856,523	77,289,276
1986 through 9/30/86	18,475,624	8,986,959	27,462,583
Total	$ 387,680,469	$ 54,410,740	$ 442,091,209

The Energy Broker was an early "spin off" from the Central Dispatch Study initiated in 1977 by the FPSC in conjunction with the Florida Electric Coordinating Group. The Energy Broker, a computerized system, lists each utility's fuel cost for the next hour which allows the high-cost utility to purchase power from the low-cost utility. The utilities share the savings in a manner that reduces overall costs, both individually and collectively. This original Florida concept has received national attention and has been awarded a U.S. Department of Energy Certificate of Appreciation.

The Expanded Broker has extended the idea of an hour-by-hour broker operation to include peninsular unit commitment scheduling for periods of up to seven days.

Fuel and Purchased Power Cost Recovery Dockets

Fuel cost recovery proceedings continue to be held twice a year. Eight special investigations were started in 1986 to allow detailed study of fuel cost, fuel transportation costs and increased costs caused by unscheduled plant outages.

In addition, the Florida Supreme Court rendered decisions on two older fuel dockets. In 1984, the Commission determined that the price of Florida Power Corporation's coal/oil mixture (COM) had exceeded the price of No. 6 oil. The Commission ordered a credit of $1,446,190, including interest, and a reduction in approved fuel inventory of $338,002. The Commission also found that a reasonable minimum value for the technology was the cost of producing it, and ordered that FPC's ratepayers be given a credit of $1,399,593, including $150,996 of interest, to compensate them for their investment in the COM technology. FPC appealed the portion of the order requiring compensation to the ratepayers for the COM technology to the Florida Supreme Court. On May 1, 1986, the Florida Supreme Court issued an opinion that reversed the order of the PSC in regard to compensation for the COM technology.

On another fuel investigation matter, the Florida Supreme Court, on March 20, 1986, affirmed a 1984 Commission order requiring Gulf Power Company (GPC) to refund $2,679,088 plus interest, pursuant to the Maxine Mine investigation. The Commission predicated the order on its finding that managerial imprudence caused GPC to pay excessive fuel costs in the purchase of coal from the Maxine Mine.

Conservation Cost Recovery Clauses

During the latter months of 1985, FPSC Staff conducted an audit of conservation costs recovered by City Gas Company during the Company's participation in the Energy Conservation Cost Recovery (ECCR) Program. The audit identified costs totaling $248,963 incorrectly recovered through the clause. City Gas Company agreed to refund these dollars plus accrued interest of $96,874 through the Purchased Gas Adjustment True-up effective October 1, 1986.

Cogeneration

In 1986, the Commission revised its rules on wheeling which relays power from a cogenerator to another utility. The PSC agreed that the Federal Energy Regulatory Commission had primary authority to set rates for wheeling, but also asserted that the PSC had jurisdiction over the terms and conditions of wheeling.

The PSC also considered several important cogeneration cases in 1986. In the Monsanto Declaratory Statement case, the PSC decided that if a cogenerator made regular payments to a third party which did not depend on the amount of energy produced by the cogeneration facility, then the

relationship of the cogenerator and the third party is like a traditional lease/finance arrangement. Thus, the third party is not considered to be selling retail energy to the cogenerator. Dade County asked the PSC to compel Florida Power & Light to provide self-service wheeling services to the county so that Dade could supply cogenerated energy to its facilities. PSC rules provide that a utility must provide self-service wheeling service to a cogenerator when providing such services does not increase the costs to the utility's other ratepayers. Hearings were held in December and a decision is expected in early 1987.

Non-firm Rates

In 1986 the Commission adopted a rule relating to the terms, conditions and rates for non-firm service, primarily interruptible or curtailable. The rule defines the various types of non-firm service and requires each investor-owned utility to have a procedure for determining its maximum level of cost-effective non-firm load. Each utility that currently offers or proposes to offer non-firm electric service must demonstrate that providing such service is cost effective to the general body of rate payers. Each utility that offers non-firm service is also required by the rule to include a specific provision in its tariffs that requires a customer to provide the utility with at least five years advance written notice to transfer from non-firm service to firm service, unless an alternate notice provision is approved by the Commission.

Standby Rates

Standby service includes backup, maintenance and supplemental service. After a series of workshops and a formal hearing, the Commission determined that backup and maintenance power service are to be taken on a single standby service rate and that supplemental power is to be taken under the otherwise applicable full requirements rate. Utilities must offer both firm and interruptible service for backup, maintenance and supplemental power. The rates for firm backup and maintenance power will consist of a reservation charge, a time-of-use daily demand charge, an energy charge and a local facilities or distribution demand charge.

Standby tariffs are to be filed in early 1987 pursuant to the Commission's vote in all issues in this docket.

Appliance Efficiency Standards

The Commission revised the minimum seasonal energy efficiency rating (SEER) for central air conditioners and heat pumps on which a utility paid a rebate or incentive. The Commission decided that any rebate or incentive paid by a utility for purchasing high efficiency central cooling and heating equipment must have a minimum SEER rating of 9.0 for central air conditioners, and a SEER of 8.5 for central heat pumps. The previous eligibility levels were established in 1981 and were set at 8.5 SEER and 7.5 SEER respectively. The eligibility standards were revised upward to reflect the higher market driven efficiency levels.

Loan Guarantee Program and Loan Subsidy Test Program

The Florida Energy Efficiency Conservation Act mandated loan guarantee program allows the Commission to use up to $5 million of Regulatory Trust Fund monies to guarantee loans made by utilities or financial institutions to customers who purchase and install approved cost-effective energy conservation measures.

Utility Participation Program -

Five utilities have been approved for participation in the loan guarantee program; currently four utilities are actively participating. Under this program, the PSC is required to maintain reserves equal to 5 percent of the outstanding principal loan balances.

Following is a summary of the FPSC Utility Loan Guarantee Program as of September 30, 1986:

Total number of loans	3,152
Total amount of loans made to date	$7,256,529
Total amount of loans repaid	$3,370,117
Total amount of defaulted loans	$ 13,007
Principal outstanding balance	$3,873,405

Energy Conservation Loan Test Program

Modeled after the successful Loan Guarantee Program, the Energy Conservation Loan Test Program is designed to promote additional energy conservation in Florida. The Commission initiated the loan test program in September, 1986. This program is designed to provide a guarantee and subsidy of loans by financial institutions to owners or occupants of residences in order to encourage retrofitting of existing housing to improve the efficiency of energy usage.

The test program will operate within a defined geographic area for a period of two years. Investor owned electric and gas and municipal and cooperative utilities are eligible to adopt the test program and coordinate with financial institutions to promote and make loans to utility customers. Financial institutions may participate in the test program via an approved utility program and receive from the Commission a 4% interest subsidy and guarantee of loans covered by the program.

Gulf Power Corporation, Florida Public Utilities, Tampa Electric Company and Florida Power Corporation have been approved to participate in the program. Participating financial institutions have been approved to loan $5,725,000 for residential conservation measures.

Contribution in Aid of Construction (CIAC) for Initial Connections

A docket was opened in 1985 to review the validity of the $500 distribution service contribution in aid of construction (CIAC) recently imposed by Withlocoochee River Electric Cooperative. The main issues were whether such a charge constitutes a matter of rate structure and if so, whether the charge is appropriate. The Commission determined in December, 1985, that the charge was, in fact, a matter of rate structure within its jurisdiction. In September, 1986, the Commission voted that the imposition of a distribution service CIAC is reasonable and acceptable as a rate structure concept.

Formation of Bureau of Gas Regulation

All regulatory matters affecting natural gas utilities were consolidated into the Bureau of Gas Regulation in 1986. The first bureau chief was appointed in May, and all staffing completed in June.

Natural Gas Transportation Tariffs

Increased transportation of customer owned gas will come to Florida, even though much of the state is served by only a single interstate pipeline. In anticipation of requests for transportation, the first transportation-only tariff in the state was approved during 1986 for Peoples Gas System, Inc. The tariff rate for transportation is the same as the rate for interruptible service, thus ensuring recovery of the total cost of service whether a customer buys gas from the local distribution company or by direct purchase from a producer. Because a distributor makes no markup on the cost of gas, he should be indifferent as to who owns the gas being transported through the system.

Natural Gas Flex Rates

Rates established at the end of 1985 have been implemented during 1986. Flex rates allow natural gas utilities to reduce their rate to interruptible customers below the regular interruptible tariff rate, down to the point at which all fuel costs and the variable non-fuel costs are covered. The distribution company absorbs the reduction in revenues without cost to the rest of the ratepayers. Through this year of tumbling, chaotic pricing of fuel oil, use of flex rates for the Contract Interruptible Service customers has made it possible for several utilities to keep high usage customers on line making at least a partial contribution to fixed costs and covering all variable costs. Three companies, using flex rates, have discounted 41,035,242 therms of gas, absorbing revenue deficiencies of $1,424,845.

Negotiated Refund of City Gas Company Due to Fast Meter Investigation

The Commission required City Gas Company to institute an expedited meter testing program after a large percentage of the company's meters tested more than 2% fast.

Commission staff and Public Counsel met with City Gas Company on February 14, 1986, to discuss the meter testing results. A stipulation was entered into by all three parties. Pursuant to the stipulation, City Gas Company refunded to its customers $186,000 plus interest through the Purchase Gas Adjustment Clause.

Gas Safety

In 1986, 28 written notifications of gas safety violations were issued. These notifications cited 73 rule violations ranging from the unqualified joining of plastic pipe to the failure to repair gas leaks. All violations have been corrected or are scheduled for correction pursuant to the Commission's Standard Operating Procedures for enforcement of safety rule violations. The safety evaluations covered eighty three gas systems and 14,974 miles of gas mains and approximately 460,000 natural gas customers.

Outside force damage (pipelines cut or damaged by others engaged in construction activities) to natural gas pipelines continues to be a problem in Florida as well as the rest of the country. Florida currently has major one-call centers in the Tampa, Orlando and Miami areas. There are currently one-call center proposals for centers in Gainesville, Daytona and Jacksonville in 1987. If past history holds true, the number of outside force damage incidents should decline when the new one-call centers go on line.

The number of natural gas accidents and outside force incidents significant enough to meet the reporting requirements of the Commission since 1980 are shown in the attached tables.

NATURAL GAS ACCIDENTS

Year	No. of Systems Reporting Accidents	No. of Incidents	No. of Injuries	No. of Fatalities	Outside Force
1980	12	17	6	6	13
1981	13	29	36	1	14
1982	12	29	12	2	11
1983	5	20	8	0	14
1984	8	18	1	0	14
1985	12	25	3	2	17
1986	7	16	2	0	14

Electric Safety Bureau

The Bureau of Electric Safety was established in August 1986 pursuant to legislation enacted by the 1986 Legislature and the Bureau Chief reported to work on September 15, 1986. The Bureau is composed of the bureau Chief, three Engineering Supervisors, seven engineers and a secretary. The last of these positions was filled in early January.

The Bureau will inspect the new facilities constructed by the electric utilities, including municipals and coops. Rule changes to implement the new statue have been proposed, the engineers that have been hired are familiarizing themselves within the 1984 National Electrical Safety Code and with electric utilities they will be inspecting. Non-random inspections were made in 1986 and, in one case, a violation was found and corrected.

The following is a report of the public electric contact injuries from 1981 through 1986.

			Construction Related		Non-Construction Related	
Year	Injury	Fatality	Injury	Fatality	Injury	Fatality
1981	72	16	46	9	25	7
1982	38	18	14	7	24	11
1983	31	17	11	6	20	11
1984	26	20	14	7	12	13
1985	35	17	17	3	18	14
1986	35	15	10	10	25	5

DIVISION OF RESEARCH

MARY BANE, DIRECTOR

Concern with the impacts of deregulation of the telecommunications industry on universal telephone service and controversy surrounding alternative suppliers of electricity were two main subjects during a year of varied activity for the Division of Research. With the passage of the new federal tax law, renewed interest also centered on impact fees, particularly contributions-in-aid-of-construction (CIAC) for water and sewer companies.

Research Projects

During 1986, the Research Division worked with the Division of Communications to estimate residential telephone demand for Florida. The resultant report provided the Commissioners with information on the likely impacts of rate increases on telephone penetration rates. Another study assessed the impact of the Federal Communications Commission decision to preempt state regulation of industrial cable used as a transmission medium to determine if the impact merited intervention of the Florida Commission. Late in the year, an evaluation of cellular technology as a substitute for local exchange service was initiated.

Numerous studies were also undertaken in the area of energy. A comparison of cost-effectiveness tests for generating capacity alternatives was completed during the year as was a critique of various indexing techniques for use in analyzing electric utility operating and maintenance expenses. The division also analyzed reasons for electric utility rate increases, identifying major operating and maintenance expense categories contributing to rate increases. Work was initiated on development of a performance evaluation system which would provide a standard by which efficient or high performance utilities can be distinguished. A utility wage and salary project was also initiated during the year. Other projects of note included development of a research design to evaluate the extent of fraud in installation of attic insulation and critique of the cost-effectiveness of prohibition of master metering for gas companies.

There was also considerable activity on water and sewer issues. Phases I and II of an analysis of water utility regulation were completed and staff served on a special water and sewer task force to identify ways to reduce the burden of regulation on water and sewer utilities and Commission staff. Further, a generic study was initiated to evaluate the merits of Contributions-In-Aid-of-Construction (impact fees) in the electric, gas, telephone, and water and sewer industries. CIAC is a critical issue in the water and sewer industry, especially in light of the recent tax law which makes such contributions taxable.

A study was also begun on leveraged buyouts of regulated utility companies to identify the impacts of such takeovers and to establish standard criteria useful in evaluating the impacts on a company's ratepayers.

Technical Support

The workload on economic impact statements for proposed rules continued to occupy a significant portion of staff time. A total of 38 economic impact statements were completed with topics ranging from shared tenant telephone services to electric transmission service for qualifying facilities.

In addition, the staff lent technical support in estimating the revenues of all of the utilities for determination of expected regulatory assessment fees and in drafting of other proposed rule changes.

Information Services

Various publications of operational accounting and statistical information were prepared by the division, including a statistical report on the electric utility industry and publications of comparative statistics for the telephone and the electric industries. All of the reports are reviewed annually to determine whether modifications are needed. Work was also initiated on development of a computer database of statewide economic data and utility-specific data. It is anticipated that this database, when completed, will provide the divisions with ready access to information used frequently in rate cases and other regulatory proceedings.

DIVISION OF WATER AND SEWER

CHARLES H. HILL, DIRECTOR

On September 9, 1986, Gulf County adopted a resolution declaring that water and sewer utilities in that county were subject to regulation by the Commission. Staff met with all of the jurisdictional utilities and began the process of granting certificates to each of the utilities. The PSC now regulates water and sewer utilities in 32 counties.

Rule Revision

The water and sewer rules were rewritten and adopted by the Commission. The annual report rule was revised and now includes new filing procedures as well as penalties for noncompliance. The rule also adopts the new revised annual reports that are consistent with the new NARUC Uniform System of Accounts. The new rule was adopted by the Commission.

The Water and Sewer staff held a workshop in November of 1986 to discuss a proposed Overearnings Surveillance Report to be included as part of the Annual Report filed each year. A rule revision is expected in 1987.

The Commission also adopted a rule that covers the treatment of Allowance for Funds Used During Construction. There was no prior rule for Water and Sewer.

Data Processing

The staff of the Division of Water and Sewer started in 1986 a project which will revise our data base on water and sewer companies. The data base will hopefully be taken off the FSU Cyber computer and converted to a personal computer maintained in the Division of Water and Sewer. This is expected to make retrieval of information much easier, more efficient and less costly. The main emphasis of the project is to convert the data base to the new Uniform System of Accounts.

Docket Statistics

	December 31		
	1984	1985	1986
Total Cases (Active)	126	130	126
Regular Rate Cases Over 8 Months			
Cases	5	4	9
Percent	4%	3%	7%
Cases Over Two Years Old			
Cases	7	8	6
Percent	5.5%	6%	4%
Rate Cases Completed	18	18	16
Rate Cases in Progress	22	22	19
Staff Assisted Rate Cases Completed	21	15	19
Staff Assisted Rate Cases in Progress	20	20	14
Certification (All Types) Completed	67	82	96
Certification (All Types) in Progress	58	53	54
Indexes Completed	78	90	87
Indexes in Progress	10	7	16
Pass-Throughs Completed	11	25	29
Pass-Throughs in Progress	2	2	5

DIVISION OF ADMINISTRATION

JAMES A. WARD, DIRECTOR

Bureau of Budget, Training and Resource Management

A study of the Commission's communications needs was completed in December, 1986. Recommendations were made and adopted to replace the Commission's worn and partially obsolete telephone system with a modern, up-to-date Tie II Business Communication System. Installation began in January, 1987.

An extensive training program continued throughout Calendar Year 1986, with approximately 13,000 hours of classroom instruction being given to PSC employees. Classes encompassed such subjects as: Supervisory Management, Personnel Rules and Regulations, Performance Evaluations, The Use of Microcomputers and Related Software Applications, Time Management, Business Writing, Telephone Communications, Stress Management and Human Relations.

In addition, workshops and seminars related to the technical aspects of utility regulation and cross-training between divisions and disciplines were attended by a number of PSC employees.

The Legislative Budget Request for the 1987-89 Biennium was prepared and submitted to the Executive Office of the Governor on October 30, 1986. The submission primarily contained continuation costs, with modest increases for workload and inflationary price increases.

Bureau of Fiscal Services

The following workload statistics indicate the activity in the major functions of the Fiscal Section:

	1982	1983	1984	1985	1986
Number of Invoices Processed	2,786	3,118	2,863	3,111	3,208
Travel Vouchers	3,989	3,660	3,637	3,323	3,041
Professional & Technical Service Consultant Contracts	57	36	9	14	4

Bureau of General Support Services

The Bureau supervised the recarpeting of the entire ground floor and parts of the first and second floors in the Fletcher Building, the installation of soundproofing material to reduce troublesome noise pollution levels at copiers and printer locations, the purchase of a WANG minicomputer at approximately 40% of the current market price, and at year's end, the negotiation for the total replacement of the Commission's telephone system at a cost for equipment and installation that is 66.4% of the State contract pricing for identical equipment.

The latter transaction was possible because of a newly adopted purchasing rule which allows the Commission a wider latitude in negotiating prices for commodities and services that are equivalent to those offered on State contracts. The Bureau was instrumental in the adoption of this rule revision.

Bureau of Personnel

Effective August 1, 1986, the Attendance and Leave Rules for Career Service Employees were amended dramatically, changing the amount and usage of annual and sick leave credits. These revisions necessitated the redesigning of the Commission's monthly Attendance and Leave Report. The Personnel staff conducted several training sessions, in Tallahassee and in each district office, regarding the revisions and the new reporting procedures.

During 1986, the activity in the area of benefits continued to increase as the State began offering a choice of health insurance coverage from a total of 64 different plans. Depending on the area of the State the employee resided in, there were as many as 24 or as few as 6 plans to choose from. In October and November, annual open enrollment for health insurance was conducted throughout the State. This open enrollment created 167 insurance changes which were processed by the Personnel staff. The addition of the numerous Health Maintenance Organizations generated a very high volume of related materials and forms, increasing the workload tremendously.

Since February, 1986, the Commission's payroll has been generated through the COPES System. The total conversion was implemented on April 1, 1986, and those staff members working with payroll were commended by the State Comptroller for their outstanding efforts and dedication towards this conversion.

The number of processed Position Descriptions more than doubled, from 109 in 1985, to 253 in 1986. This was the result of the establishment of divisions and bureaus instead of departments. The positions which were designated as Bureau Chiefs were placed in Senior Management Service classes. In November, 1986, updated Position Descriptions were prepared for those positions which remained in the Senior Management Service and those going into the Selected Exempt Service effective February 1, 1987.

The Commission's Sick Leave Pool now has 226 members and 1976 hours. There have been no withdrawals of sick leave credits from the pool.

DIVISION OF CONSUMER AFFAIRS

GEORGE HANNA, DIRECTOR

The Division of Consumer Affairs received 49,565 complaints from customers during 1986, up 9% from the 45,309 complaints handled in 1985. Of these complaints, 6,605 were logged against regulated utilities and investigated. The number of logged complaints was down slightly from the 6,812 complaints logged during 1985, mainly because of fewer complaints against Southern Bell and Florida Power and Light Company, the two largest utilities. They were down by 12% and 25%, respectively. Included in the total complaint activity are 2,015 letters to which division personnel responded to provide information to customers on Commission activities and regulations.

Savings to customers as a result of Consumer Affairs action on complaints passed the three-quarters of a million dollar mark in 1986. The division began keeping track of savings to customers in 1983, and the savings have increased each year, from $117,593 in 1983, to $135,290 in 1984, $184,441 in 1985, and $420,364 in 1986. The total savings during the four-year period is $858,689. This is the amount refunded to customers or credited to their accounts as a result of Consumer Affairs action on complaints. Most of the 1986 savings were for electric customers, with $265,773 of the savings in this area, and $129,566 for telephone customers.

Consumer Affairs continued the orientation program of new Commission employees during the year. New employees are required to spend a week in Consumer Affairs answering the toll-free complaint line. Thirty-one employees from the technical divisions spent 137 days in the Division during 1986.

Logged complaint activity included 3,753 telephone complaints, 2,152 electric complaints, 419 water and sewer complaints, and 281 gas utility complaints.

DIVISION OF INFORMATION PROCESSING

MARGARET PERRY, DIRECTOR

The Division of Information Processing is responsible for the coordination of the computer, word processing and data processing requirements of the Commission. The office provides technical support to the Commission in developing, selecting, and maintaining computerized applications, software, microcomputer systems and word processing systems and provides training for the Commission staff on microcomputers and word processing.

Continued growth was shown in 1986 in office automation for the Commission, both in the areas of word processing and microcomputers. The central staff of the Commission now have 36 IBM PC/XT micros available to them in-house, and 3 COMPAQ portable micros. The three field offices now have 1 IBM micro and at least 3 COMPAQ micros each for a total of 13 COMPAQs. The COMPAQs allow the field auditors to perform on-site computerized auditing.

The WANG word processing office network now has 6 central processors tied together with 46 workstations and 15 printers attached, as well as 2 laser printers for high volume output. Eight of the workstations do double duty as IBM microcomputers as well. One of the WANG stations is a WANG PC used for access to WESTLAW legal research services as well.

Several applications for the micros were completed and have been implemented or are in the process of user testing; among these are the Administrative Information Management System, the Regulatory Assessment Fee System, the Management Audit System, and the Uniform Spreadsheet Model. There are many more one-time and long-term applications generated by the users on an on-going basis. Transfer of applications from fairly costly outside services to in-house facilities continues to take a high priority.

The large mainframe computer at Florida State University continues to be utilized for those applications too large or too complex for microcomputer implementation, or for those which require a single database be available to all Commission divisions, such as the Event Tracking System. Once the planned micro network is in place with a WANG VS minicomputer hub, additional applications can be moved in house.

The final installation of the VAX 11/730 minicomputer took place with implementation of the Conservation Research Model software. Preliminary work has been done on additional and replacement modules from the Electric Power Research Institute to further enhance its usefulness.

The Commission also continues to use remote computerized research facilities (WESTLAW, COMPUSERVE, DRI, PHINET) for legal, statistical, and investigative research, and other outside resources such as the IBM mainframe computer at the Northwest Regional Data Center at FSU for Audit Analyzer runs.

DIVISION OF RECORDS AND REPORTING

STEVE TRIBBLE, DIRECTOR

The Division of Records and Reporting receives and processes all formal matters filed with the Commission and keeps the official records. The Division maintains permanent record books, records the minutes and formal orders of the Commission, maintains records of all pending proceedings, prepares and issues notices of all hearings, arranges hearing sites, serves all orders, and prepares the agendas for Commission Conferences. The Division also serves as Case Manager maintaining records of case schedules and monitoring compliance, coordinates the Commission's Records Management program, maintains confidential document files and controls, publishes supplements to the Commission's rules, and maintains the Central Directory of Utilities.

In 1986, the Division received and processed nearly 13,000 pieces of mail. Of that number, 1,667 were assigned new docket numbers, with copies distributed for handling throughout the Commission and originals placed in new files in the Record Center. This record number of dockets opened in one year was directly attributable to the docketing of 743 applications for pay telephone certificates and 223 requests for pay telephone certificate cancellations. A recap of total cases is shown below. The Record Center was responsible for the issuance of 1,534 orders and 178 notices of hearings in 1986, and the sale of $136,483 in copies, subscriptions, and other material.

Dockets Open	638
+ New Dockets 1986	1,667
+ Closed Dockets Reopened	14
- Dockets Closed in 1986	- 1,792
Dockets Remaining Open 12/31/86	527

The Division prepared the agendas for and attended 25 regular Commission Conferences and 7 special conferences in 1986. Staff of the Division recorded each conference on tape, prepared vote sheets for the Commissioners' signatures on each item scheduled and wrote minutes of each item for subsequent verification by the Commission.

The Division in 1986 arranged locations for 24 out-of-town hearings, many of which required site inspections prior to the hearing and special set up arrangements. The Division's Bureau of Reporting attended a total of 126 hearing days for the purpose of preparing verbatim transcripts of the activity at the hearings, with 28,414 pages of transcript prepared and filed as a result.

In its role as Records Management Coordinator for the Commission, the Division provided technical assistance to other Divisions by identifying retention requirements for all documents presented for storage, packing and labeling records for storage, completing forms for storage, filming, or destruction of records and assuring that the instructions were carried out. The Division also administered funds budgeted for records management.

Numerous rulemaking actions were taken by the Commission during the year resulting in the publication of supplements to several sections of the Commission's rules. In addition, adoption of a revised rule numbering format by the Department of State required the complete renumbering of the Commission's rules and the reprinting of the entire 454-page document. Rulemaking actions continued to occur on a frequent basis through the end of the year and at year's end a 218-page supplement was being readied for printing and distribution.

Case management activities during the year included the review and scheduling of 2,425 Case Assignment and Scheduling Records for approval, of which 1,621 were originals and 804 were revisions. Case management reports were expanded to include a schedule of delayed cases and major cases scheduled for agenda.

Like many other office functions, maintenance of the Commission's Central Directory of Utilities was compounded by the large number of pay telephone companies being added to and removed from the system. The Directory was kept up to date, however, and progress was made toward transferring it to an IBM Microcomputer which will eventually lead to faster access to data, expanded reporting capabilities and networking with microcomputers in other Divisions.

GENERAL COUNSEL

WILLIAM S. BILENKY

The Office of the General Counsel is responsible for the legal functions of the Commission. There are two areas of responsibility, the Division of Appeals and the Division of Legal Services.

The Division of Appeals has the responsibility for providing indirect legal services and advice to the Commissioners. It prepares notices, recommendations and orders; attends hearings; participates in matters before state and federal courts; promulgates rules and regulations; and aids the Executive Director in his function as legislative liaison.

The Division of Legal Services provides direct legal services and represents the staff in proceedings before the Commission, Division of Administrative Hearings, and the Circuit Courts.

DIVISION OF APPEALS

SUSAN CLARK, DIRECTOR

Appeals

In 1986, 12 appeals of Commission orders were initiated. The telephone industry led with 6, water and sewer followed with 3, the electric industry had 2, and the gas industry contributed 1. Two of these cases were voluntarily dismissed and the other 10 are pending.

Twenty appellate cases were closed in 1986. Of the 10 cases from the telephone industry, 4 Commission orders were affirmed, 3 were reversed, and 2 were voluntarily dismissed. In the US Supreme Court, Florida in conjunction with other states, was successful in reversing the Federal Communications Commission regarding telephone depreciation rates.

Five water and sewer appeals were closed in 1986. Four Commission orders were affirmed and one case was voluntarily dismissed.

In the 5 cases from the electric industry, 3 Commission orders were affirmed, one was voluntarily dismissed, and one was reversed.

There are 10 pending appeals. The telephone industry leads with 5, water and sewer contributes 3, and electric and gas contribute one each.

Federal Liaison

The Federal Energy Regulatory Commission (FERC) issued a Notice of Proposed Rulemaking on the Generic Determination of Rate of Return on Common Equity for public utilities, on July 21, 1986. Based on the notice, the Public Service Commission filed comments with FERC suggesting that the investors required rate of return be adjusted to a ratemaking rate of return for determining revenue requirements.

Acid rain is an important topic and federal legislative proposals would tax electric generation. Commission staff is monitoring developments.

Proposed federal legislation on Appliance Standards also received the Commission's attention. This legislation was passed by Congress on October 15, 1986 but President Reagan failed to sign it. We expect renewed efforts in the next federal legislative session.

Florida Gas Transmission Company has filed with FERC regarding low priority gas entitlements. The PSC has intervened and attended informal settlement discussions in Orlando. The PSC has also intervened in Florida Gas Transmission's application for a certificate of public convenience and necessity filed with FERC.

The Department of Defense proposed a rule which would require acquisition of utility services competitively by contract disregarding any state approved franchised territory. It was immediately objected to by the Florida Public Service Commission and NARUC.

The Federal Accounting Standards Board filed proposed changes to Accounting Treatments for Phase-in Plans, Abandonments and Disallowance of Plant Costs. The Public Service Commission filed indicating general support but sought clarifications.

The Florida PSC joined other state commissions and NARUC in urging Congress to prevent contributions-in-aid-of-construction (CIAC) from being classified as income for I.R.S. purposes. Unfortunately, the proposal was part of the extensive tax reform package and therefore, as of January 1, 1987, CIAC became taxable income.

Other topics that received Commission attention in 1986 were Price Anderson Act, Hydroelectric Relicensing, Wheeling of Electric Power, Cogeneration, Nuclear Waste Disposal, Nuclear Licensing, Nuclear Decommissioning, Conservation Service Reform Act of 1986, Natural Gas Vintaging Proposal, Old Gas Pricing Standards, and the National Gas Policy Act. We anticipate continued activity in all of these areas during 1987.

The Commission took an active role and provided comments in many dockets before the Federal Communications Commission. One of the predominant questions before the FCC, and addressed in various dockets, was the allocation of non-traffic sensitive communication costs between state and interstate jurisdictions. In this area, the Commission filed comments in Dockets CC 78-72, 80-286 regarding the allocation of accounting costs, CC 80-286 regarding the allocation of central office equipment costs, and CC 86-297 on conforming the separations manual to the recently revised Uniform System of Accounts.

The year also brought a major favorable decision by the United States Supreme Court. That court, in Louisiana Public Service Commission v. FCC, recognized in the Communications Act of 1934 the existence of a dual state-federal regulatory scheme over the provision of telephone services which prohibited the FCC from preempting state commissions in the setting of depreciation rates. The case will have a tremendous impact on future preemption attempts by the FCC. This Commission actively participated in the case before the Supreme Court.

Testimony was filed with Congress on a bill that would have transferred the administration and enforcement of the Modified Final Judgment from the Department of Justice to the FCC. This Commission agreed that the long term regulation of the Bell and General Systems could not remain with the Department of Justice, and that the FCC was probably the best agency for enforcing the Modified Final Judgment. The Commission could not, however, support or oppose the legislation because several very important questions regarding the parameters of enforcement remained unanswered by the bill. In the end, the legislation was not passed by the 99th Congress.

State Legislation

The 1986 Legislature passed two significant pieces of legislation affecting the Commission's powers and responsibilities, and conducted an intensive review of one area of regulatory responsibility. CS/SB 60 gave

this Commission exclusive jurisdiction to prescribe and enforce safety standards for electric transmission and distribution facilities. Initial standards are those prescribed by the 1984 edition of the National Electric Safety Code. That legislation also appropriated $419,271 of Regulatory Trust Fund monies and authorized 12 positions to implement the provisions of the legislation.

House Bill 718 directed the Commission to determine whether the provision of shared tenant service is consistent with the public interest by January 15, 1987. Existing shared tenant service provided under certain conditions was "grandfathered" in under the legislation, pending review by the Commission and the Legislature.

A joint subcommittee working primarily out of the Energy Subcommittee of the House Natural Resources Committee reviewed the area of cogeneration to determine if any statutory changes were necessary and whether the Legislature should give the Commission some guidance in resolving the complex regulatory issues involved in this area. The Cogeneration and Small Power Production Legislative Study addressed such issues as retail sales, pricing of cogenerated electricity, a state comprehensive energy source plan, self service wheeling, stand-by rates, and third party financing. All segments of the industry were represented at the meetings held by the joint subcommittee. Legislation was filed as a result of the efforts of the study committee but was not passed by the Legislature.

Rulemaking

During 1986, several rulemaking projects were handled by the Division of Appeals. Major projects included: revision of rules relating to the water and sewer industry; rules for the regulation of pay telephone service providers; rules for the regulation of interexchange carriers; and the revision of the Commission's purchasing rules. The Commission took action on 38 rule dockets.

DIVISION OF LEGAL SERVICES

ROGER HOWE, DIRECTOR

Attorneys of the Division work with regulatory professionals of the electric, gas, telephone, water and sewer divisions, providing legal direction and support for all cases that come to the Commission. They are responsible for issuing Interrogatories to parties to gain more information about pending cases, conducting depositions, presenting the staff's witnesses and cross-examining other witnesses in hearings around the State, reviewing legal briefs, advising staff and making recommendations to the Commission. After a decision is reached by the Commission, the attorneys also are responsible for writing orders specifying the facts and findings of the case and the action ordered by the Commission.

The attorneys of the division also work with the Division of Appeals in the lengthy appellate process of complex cases, such as the federal court action filed in 1984 challenging restrictions on the Dial-It service offered by Southern Bell. The United States Circuit Court of Appeals for the Eleventh Circuit denied Plaintiff Carlin Communications' appeal of the District Court's order granting the Commission's and Southern Bell's Motions for Summary Judgement. The 1986 action by the Eleventh Circuit Court effectively ends the Carlin litigation and allows Southern Bell to provide Dial-It service under the conditions of the tariff approved by the Commission. Under Dial-It, the telephone company charges customers who dial a special, advertised number to receive recorded information.

Annual Reports

In early 1986, the Divisions of Water and Sewer and Legal Services initiated the first broad-based enforcement program regarding the requirement for regulated companies to file annual reports. Their informal efforts resulted in over $3,000 in penalties paid by 27 utilities. Show cause proceedings were authorized against the remaining 36 delinquent utilities. Of those utilities, all but one have now filed their 1984 reports or provided justification for not being subject to the reporting requirements, with an additional $10,600 in penalties assessed and collected. Circuit court action by the PSC against two utilities to recover $1,200 in unpaid penalties has been authorized.

The 1985 annual report compliance rate was a dramatic improvement from the 63 water and sewer utilities that failed to timely file their 1984 annual reports.

Only one of the 36 utilities targeted by the 1984 enforcement program is a repeat offender. A maximum of 5 utilities are expected to be the subject of show cause proceedings for failing to timely file the 1985 annual reports.

Tax Reform - CIAC

Section 118(b) of the Internal Revenue Code was amended, effective January 1, 1987, by the Tax Reform Act of 1986. As a result of this change, contributions-in-aid-of-construction (CIAC) from developers and other customers may now be treated as gross income to a utility and may be subject to taxation.

In response to the change in the tax law, the Florida Waterworks Association requested Commission approval to allow utilities to collect, from developers and others who pay CIAC, additional amounts equal to the tax impact of the Act. Such additional amounts would be placed in interest bearing escrow accounts for use by the utilities for the purpose of paying that portion of the estimated federal and state income tax expense which can be shown to be directly attributable to the repeal of section 118(b). Monies received in excess of the tax impact would, on a pro-rata basis, be refunded with interest to the parties making the contributions.

The Commission granted the Florida Waterworks Association's request with the modification that, with regard to jurisdictional operations, all net savings in tax expense resulting from passage of the Act shall be offset against any increases in tax expense, due to taxation of CIAC, before a utility can withdraw money from an escrow account.

INDEX TO CHARTS

General

District Offices 40

Organization 41

Complaint Activity, by Industry

Telephone 42

Electric 43

Gas 44

Water and Sewer 45

Communications

Telephone Company Summary 46

Electric

Utility Purchased Fuel Costs 48

Residential Fuel Rate Changes 49

Typical Residential Bill Comparison - Investor-Owned 50

Typical Residential Bill Comparison - Municipal 51

Typical Residential Bill Comparison - Cooperatives 52

Investor-Owned Utility Growth and Use Statistics 53

Generation Capability and Generation, Peninsular Florida 54

Generation Capability and Generation, State of Florida 55

Gas

Typical Gas Residential Bill Comparison 56

Investor-Owned Utility Growth and Use Statistics 57

DISTRICT OFFICES

MIAMI — (305) 592-0730

7370 N. W. 36th Street
Suite 100
Miami, Florida 33166-6732

FT. LAUDERDALE — (305) 467-4618

Robert H. Gore Building
Suite 307
201 W. Broward Blvd.
Ft. Lauderdale, Florida 33301

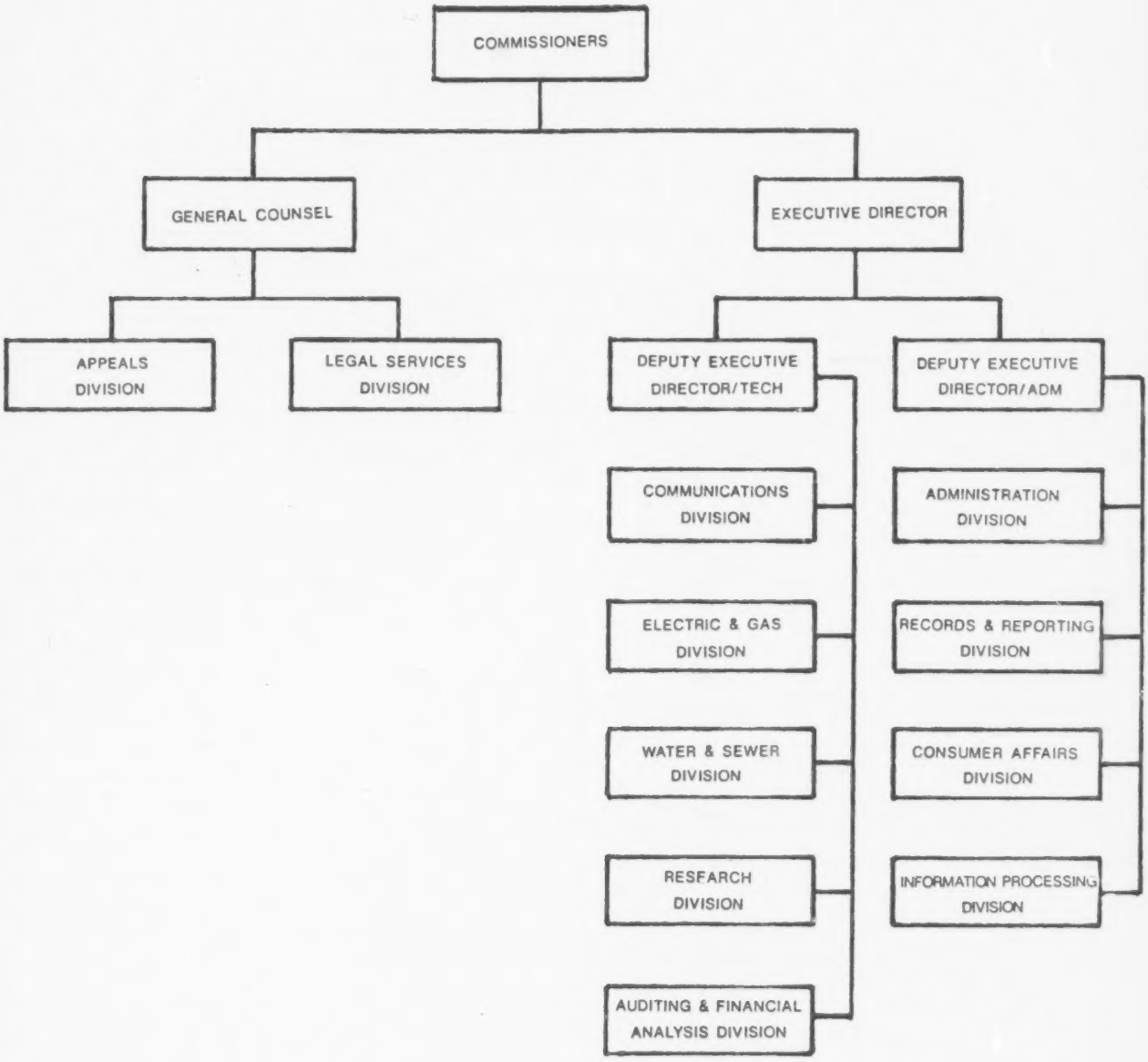
ORLANDO — (305) 423-6146

400 W. Robinson Street
Suite 512
Orlando, Florida 32801

TAMPA — (813) 272-3911

Park Trammell Building
Suite 901
1313 Tampa Street
Tampa, Florida 33602

FLORIDA PUBLIC SERVICE COMMISSION



1986
Complaint Activity
Division of Consumer Affairs

TELEPHONE INDUSTRY

	Complaints Logged					Complaints Closed				Per 1000 Customers	
	Service	Billing	Other	1986 Total	Percent Change from 1985	Justification Yes	No	Some	Percent Justified	Complaints Per 1000 Access Ln.	Justified Per 1000 Access Ln
ALLTEL	61	8	4	73	(6)%	36	7	30	49%	1.688	.833
AT&T	54	93	11	158	(18)%	72	62	27	45%	-	-
CENTEL	124	62	19	205	80%	93	63	40	47%	1.027	.466
FLORALA	7	1	1	9	200%	4	3	2	44%	6.024	2.677
GENERAL	704	143	66	913	4%	480	234	197	53%	.668	.351
GULF	0	1	0	1	-	0	0	1	0	.160	0
INDIANTOWN	1	0	0	1	0	0	1	0	0	.604	0
N. E. FLORIDA	2	3	0	5	0	1	3	1	20%	1.121	.224
PAY TELEPHONE	5	0	0	5	-	4	1	0	80%	-	-
QUINCY	4	1	0	5	(38)%	3	2	0	60%	.617	.370
RESELLERS	112	246	35	393	30%	274	71	43	71%	-	-
ST. JOSEPH	10	2	2	14	(22)%	6	2	7	40%	.772	.331
SOUTHERN BELL	1031	411	194	1636	(12)%	534	662	433	33%	.477	.156
SOUTHLAND	6	0	0	6	100%	1	2	1	25%	2.355	.392
UNITED	239	51	39	329	(4)%	126	114	77	40%	.435	.167
INDUSTRY TOTAL	2360	1022	371	3753	(2)%	1634	1227	859	44%	.643	.220
PERCENTAGES	63%	27%	10%			44%	33%	23%			

() denotes decrease

1986
Complaint Activity
Division of Consumer Affairs

ELECTRIC INDUSTRY

	Complaints Logged					Complaints Closed				Per 1000 Customers	
						Justification					
	Service	Billing	Other	1986 Total	Percent Change from 1985	Yes	No	Some	Percent Justified	Complaints Per 1000 Customers	Justified Per 1000 Customers
FLORIDA POWER CORP.	133	183	33	349	50%	55	222	64	16%	.404	.064
FLORIDA POWER & LIGHT	489	820	194	1503	(25)%	346	877	264	23%	.631	.145
FLORIDA PUBLIC UTILITIES	0	4	0	4	100%	1	3	0	25%	.262	.066
GULF POWER COMPANY	36	46	7	89	11%	13	56	20	15%	.391	.057
TAMPA ELECTRIC COMPANY	64	128	15	207	8%	43	116	35	22%	.586	.122
INDUSTRY TOTAL	722	1181	249	2152	(14)%	458	1274	383	22%	.560	.119
PERCENTAGES	33%	55%	12%			22%	60%	18%			

() denotes decrease

1986
Complaint Activity
Division of Consumer Affairs

GAS INDUSTRY

	Complaints Logged					Complaints Closed				Per 1000 Customers	
	Service	Billing	Other	1986 Total	Percent Change from 1985	Justification Yes	No	Some	Percent Justified	Complaints Per 1000 Customers	Justified Per 1000 Customers
CENTRAL FLORIDA	3	1	0	4	-	1	3	0	25%	.864	.216
CITY GAS	12	35	9	56	(38)%	18	24	15	32%	.794	.255
FLORIDA PUBLIC UTILITIES	5	2	1	8	(11)%	2	3	3	25%	.257	.064
GAINESVILLE	2	0	0	2	(50)%	1	1	0	50%	.125	.063
MILLER	1	1	0	2	(75)%	0	0	2	0	.423	0
PALM BEACH COUNTY UTILITIES	0	1	0	1	-	1	0	0	100%	.432	.432
PEOPLES	63	94	37	194	41%	49	83	29	30%	1.284	.324
SOUTHERN	2	0	0	2	0	1	0	0	100%	.556	.278
SOUTH FLORIDA	1	0	0	1	0	0	1	0	0	.320	0
WEST FLORIDA	7	3	1	11	83%	7	5	0	58%	.615	.392
INDUSTRY TOTAL	96	137	48	281	8%	80	120	49	32%	.911	.259
PERCENTAGES	34%	49%	17%			32%	48%	20%			

() denotes decrease

1986
Complaint Activity
Division of Consumer Affairs

WATER AND SEWER INDUSTRY

	Complaints Logged			Complaints Closed				
				Justification				
	Service	Billing	Other	Yes	No	Some	1986 Total Received	Percent Change From 1985
INDUSTRY TOTAL	174	214	31	131	178	91	419	81%
PERCENTAGES	42%	51%	7%	33%	44%	23%		

SUMMARY

Company & Headquarters	Number of Florida Exchanges	Florida Access Lines	Percent of State Total	Access Line Percent Growth From Previous Year
1. ALLTEL, Florida, Inc. Live Oak, Florida	27	43,201	.70	3.83
2. Central Telephone Company of Florida Tallahassee, Florida	35	208,188	3.38	4.32
3. Continental Telephone Company of the South-Georgia Thomaston, Georiga	1	63	.001	8.62
4. Florala Telephone Company Florala, Alabama	2	1,523	.02	1.02
5. General Telephone Company of Florida Tampa, Florida	24	1,439,269	23.39	5.30
6. Gulf Telephone Company Perry, Florida	2	6,496	.10	3.80
7. Indiantown Telephone System, Inc. Indiantown, Florida	1	1,784	.03	7.12
8. Northeast Florida Telephone Company Macclenny, Florida	2	4,643	.07	4.08

SUMMARY

Company & Headquarters	Number of Florida Exchanges	Florida Access Lines	Percent of State Total	Access Line Percent Growth From Previous Year
9. Quincy Telephone Company Quincy, Florida	3	7,778	.13	2.76
10. St. Joseph Telephone & Telegragh Company Port St. Joe, Florida	14	18,741	.30	3.29
11. Southern Bell Telephone and Telegraph Company Miami, Florida	102*	3,603,334	58.55	4.88
12. Southland Telephone Company Atmore, Alabama	3	2,614	.04	1.03
13. United Telephone Company of Florida Altamonte Springs, Florida	68	813,882	13.22	7.71
14. Vista-United Telecommunications Lake Buena Vista, Florida	1	2,219	.04	-5.25
TOTAL	284	6,153,735	**	5.1

* Number includes South Central Bell's Century Exchange.
** Does not equal 100 percent due to rounding.

FLORIDA INVESTOR OWNED ELECTRIC UTILITY PURCHASED FUEL COST
EXPRESSED IN DOLLARS PER UNIT AND CENTS PER KWH

	Heavy Oil		Light Oil		Coal		Natural Gas	
Year	$/Bbl	C/KWH	$/Bbl	C/KWH	$/Ton	C/KWH	$/Mcf	C/KWH
1974	11.10	1.79	12.27	3.60	16.70	0.73	0.60	0.66
1975	11.58	1.87	12.76	3.74	23.39	1.02	0.74	0.81
1976	11.34	1.83	13.63	4.00	25.52	1.12	0.85	0.94
1977	13.27	2.14	15.00	4.40	29.38	1.29	0.88	0.97
1978	12.30	1.98	15.49	4.54	34.63	1.52	1.04	1.14
1979	18.23	2.94	29.40	8.62	38.43	1.68	1.20	1.32
1980	23.36	3.77	33.23	9.74	42.61	1.86	1.31	1.44
1981	28.32	4.57	46.67	13.68	53.23	2.33	2.15	2.37
1982	27.73	4.47	51.27	15.03	56.69	2.48	2.21	2.43
1983	27.52	4.44	35.34	10.36	57.84	2.53	2.91	3.20
1984	29.39	4.74	34.57	10.13	57.02	2.49	3.43	3.77
1985	24.94	4.02	32.62	9.56	57.01	2.49	3.28	3.61
1986	13.51	2.18	19.55	5.73	53.05	2.32	2.03	2.23

Sources: 1974-1980 FPC Form 423
1981-1986 Monthly Fuel Adjustment Filings

Conversion factors used

	Heat Content	Heat Rate
Heavy Oil	6.2 MMBTU/Bbl	10,000 BTU/KWH
Light Oil	5.8 MMBTU/Bbl	17,000 BTU/KWH
Coal	24 MMBTU/Ton	10,500 BTU/KWH
Natural Gas	1.0 MMBTU/Mcf	11,000 BTU/KWH

RESIDENTIAL ELECTRIC RATE CHANGES

1986
Fuel Cost in ¢/KWH
Bill in $ for 1000KW
No Changes for months Not Listed

	JANUARY		APRIL		JUNE		OCTOBER	
	Fuel	Bill	Fuel	Bill	Fuel	Bill	Fuel	Bill
FPL	2.599¢	$82.82	2.328¢	$78.44	1.835¢	$73.51	1.843¢	$74.98
FPC	2.418¢	$77.72	2.867¢	$82.12	NO CHANGE		1.943¢	$72.79
TECO	2.165¢	$75.25	2.932¢	$83.02	NO CHANGE		2.412¢	$78.13
GULF	2.776¢	$66.16	2.770¢	$65.82	2.770¢	$71.50*	2.643¢	$64.78

*Reflects difference in winter and summer base rates.

INVESTOR-OWNED UTILITIES
TYPICAL ELECTRIC BILL COMPARISONS *
RESIDENTIAL SERVICE
DECEMBER 31,1986

UTILITY	Minimum Bill or Customer Charge	KWH 100	250	500	750	1000	1500
FLORIDA POWER & LIGHT COMPANY	$5.65	$12.33	$22.36	$39.07	$55.77	$74.98	$113.40
FLORIDA POWER CORPORATION	$6.10	$12.77	$22.77	$39.45	$56.12	$72.79	$106.14
TAMPA ELECTRIC COMPANY	$7.00	$14.11	$24.78	$42.57	$60.35	$78.13	$113.70
GULF POWER COMPANY **	$6.25	$12.10	$20.88	$35.52	$50.15	$64.78	$94.05
FLORIDA PUBLIC UTILITIES COMPANY							
Marianna Division	$5.00	$11.37	$20.92	$36.84	$52.76	$68.68	$100.52
Fernandina Beach Division	$2.50	$9.15	$19.13	$35.77	$52.40	$69.03	$102.30
REEDY CREEK UTILITIES CO., INC.	$2.85	$8.69	$17.45	$32.05	$46.65	$61.25	$90.45

*Excluding Local Taxes; October 1986-March 1987 fuel costs are included.
**Summer/Winter Rates in effect - Winter Rates are shown

COOPERATIVE UTILITIES
TYPICAL ELECTRIC BILL COMPARISONS *
RESIDENTIAL SERVICE
DECEMBER 31,1986

COOPERATIVE UTILITIES	Minimum Bill or Customer Charge	KWH 100	250	500	750	1000	1500
CENTRAL FLORIDA	$8.50	$15.28	$25.44	$42.38	$59.32	$76.26	$110.14
CHOCTAWHATCHEE	$7.25	$14.13	$24.44	$41.64	$58.83	$76.02	$110.41
CLAY	$7.00	$14.90	$26.75	$46.50	$66.25	$86.00	$125.50
ESCAMBIA RIVER	$7.00	$13.09	$22.23	$37.45	$52.68	$67.90	$98.35
FLORIDA KEYS	$5.60	$12.47	$22.76	$39.93	$57.09	$74.25	$108.58
GLADES	$8.50	$17.30	$30.50	$52.50	$74.50	$96.50	$140.50
GULF COAST	$7.00	$12.60	$21.00	$35.00	$49.00	$63.00	$91.00
LEE COUNTY	$5.00	$13.61	$26.53	$48.05	$69.58	$91.10	$134.15
OKEFENOKE	$6.00	$13.01	$23.52	$41.03	$58.55	$76.06	$111.09
PEACE RIVER	$9.50	$17.84	$30.34	$51.18	$72.02	$92.86	$134.54
SUMTER	$8.50	$16.60	$28.75	$49.00	$69.25	$89.50	$130.00
SUWANNEE VALLEY	$8.50	$16.56	$28.65	$48.80	$68.95	$89.10	$129.40
TALQUIN	$7.50	$14.20	$24.25	$41.00	$57.75	$74.50	$108.00
TRI-COUNTY	$8.00	$17.05	$30.63	$53.25	$75.88	$98.50	$143.75
WEST FLORIDA	$6.92	$14.13	$24.95	$42.98	$61.01	$79.04	$115.10
WITHLACHOOCHEE	$6.50	$14.02	$25.29	$44.08	$62.86	$81.65	$119.23

Excluding Local Taxes/ December 1986 Fuel Costs are Included.

MUNICIPAL UTILITIES
TYPICAL ELECTRIC BILL COMPARISONS *
RESIDENTAL SERVICE
DECEMBER 31,1986

MUNICIPAL UTILITIES	Minimum Bill or Customer Charge	KWH 100	250	500	750	1000	1500
ALACHUA	$8.00	$14.73	$24.83	$41.66	$58.48	$75.31	$108.97
BARTOW	$5.50	$12.14	$22.10	$38.70	$55.29	$71.89	$105.09
BOUNTSTOWN	$3.50	$10.31	$20.52	$37.54	$54.55	$71.57	$105.61
BUSHNELL	$6.50	$13.92	$25.06	$43.61	$62.17	$80.72	$117.83
CHATTAHOOCHEE	$3.00	$8.02	$15.55	$28.10	$40.64	$53.19	$78.29
CLEWISTON	$6.50	$12.95	$22.63	$38.75	$54.88	$71.00	$103.25
FORT MEADE	$6.15	$13.19	$23.75	$41.34	$58.94	$76.53	$111.72
FORT PIERCE	$5.00	$11.38	$20.94	$36.89	$52.83	$68.77	$100.66
GAINESVILLE	$4.44	$9.91	$18.10	$31.77	$45.43	$60.02	$89.19
GREEN COVE SPRINGS	$6.00	$13.52	$24.80	$43.59	$62.39	$81.18	$118.77
HAVANA	$2.00	$10.60	$23.50	$45.00	$66.50	$88.00	$131.00
HOMESTEAD	$3.92	$10.32	$19.92	$35.92	$51.92	$67.92	$99.92
JACKSONVILLE	$5.50	$11.72	$21.05	$36.60	$52.15	$67.70	$98.80
JACKSONVILLE BEACH	$4.50	$11.86	$22.91	$41.32	$59.72	$78.13	$114.95
KEY WEST	$4.46	$11.67	$22.49	$40.51	$58.54	$76.56	$112.61
KISSIMMEE	$4.94	$12.36	$23.49	$42.05	$60.60	$79.15	$116.26
LAKELAND	$4.00	$10.76	$20.89	$37.78	$54.66	$71.55	$105.33
LAKE WORTH	$2.57	$9.98	$21.11	$39.64	$58.18	$76.72	$113.79
LEESBURG	$5.00	$11.47	$21.18	$37.35	$53.53	$69.70	$102.05
MOORE HAVEN	$8.50	$18.00	$32.25	$56.00	$79.75	$103.50	$151.00
MOUNT DORA	$5.98	$14.24	$26.63	$47.28	$67.92	$88.57	$129.87
NEWBERRY	$5.00	$12.01	$22.54	$40.07	$57.61	$75.14	$110.21
NEW SMYRNA BEACH	$4.50	$11.92	$23.04	$41.58	$60.11	$78.65	$115.73
OCALA	$7.00	$13.89	$24.23	$41.47	$58.70	$75.93	$110.40
ORLANDO	$3.80	$9.54	$18.15	$32.50	$46.85	$61.20	$89.90
QUINCY	$2.10	$7.10	$14.60	$27.10	$39.60	$52.10	$77.10
ST.CLOUD	$7.50	$12.55	$21.21	$39.33	$57.44	$75.55	$111.78
SEBRING	$8.70	$18.02	$32.01	$55.31	$78.62	$101.92	$148.53
STARKE	$6.45	$12.61	$21.85	$37.25	$52.65	$68.05	$106.35
TALLAHASSEE	$3.85	$10.94	$21.58	$39.30	$57.03	$74.75	$110.20
VERO BEACH	$7.50	$12.16	$19.14	$33.59	$48.03	$62.47	$91.36
WAUCHULA	$8.75	$15.46	$25.52	$42.29	$59.05	$75.82	$109.36
WILLISTON	$6.00	$13.08	$23.71	$41.41	$59.12	$76.82	$112.23

* Excluding Local Taxes/ December 1986 Fuel Costs are Included.

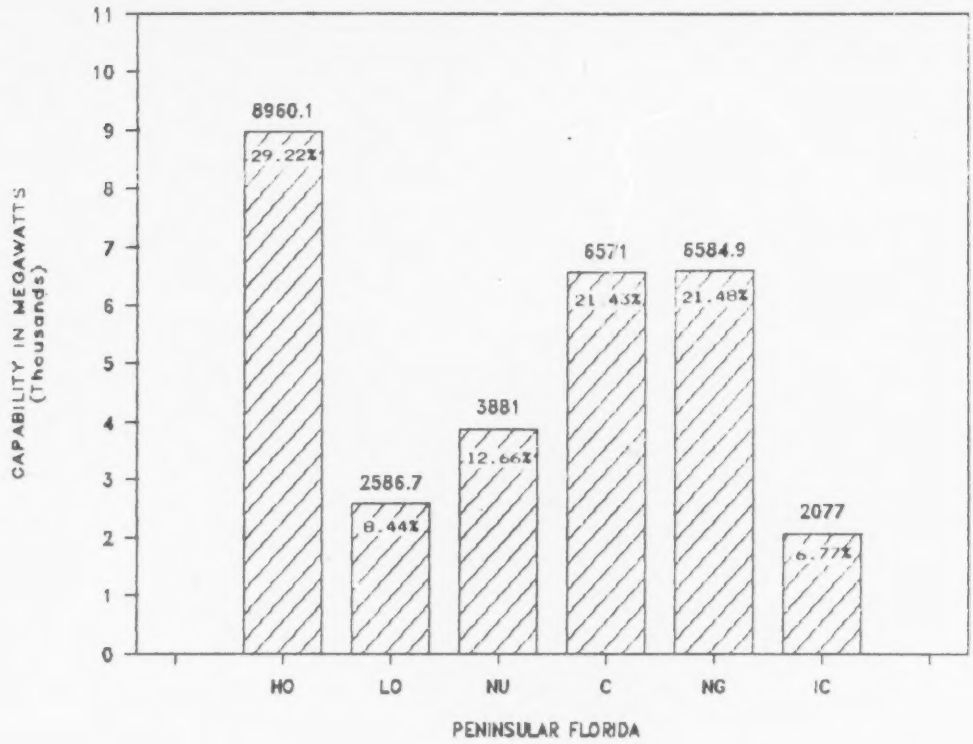
INVESTOR-OWNED
ELECTRIC UTILITIES
GROWTH AND USE STATISTICS
DECEMBER 31, 1986

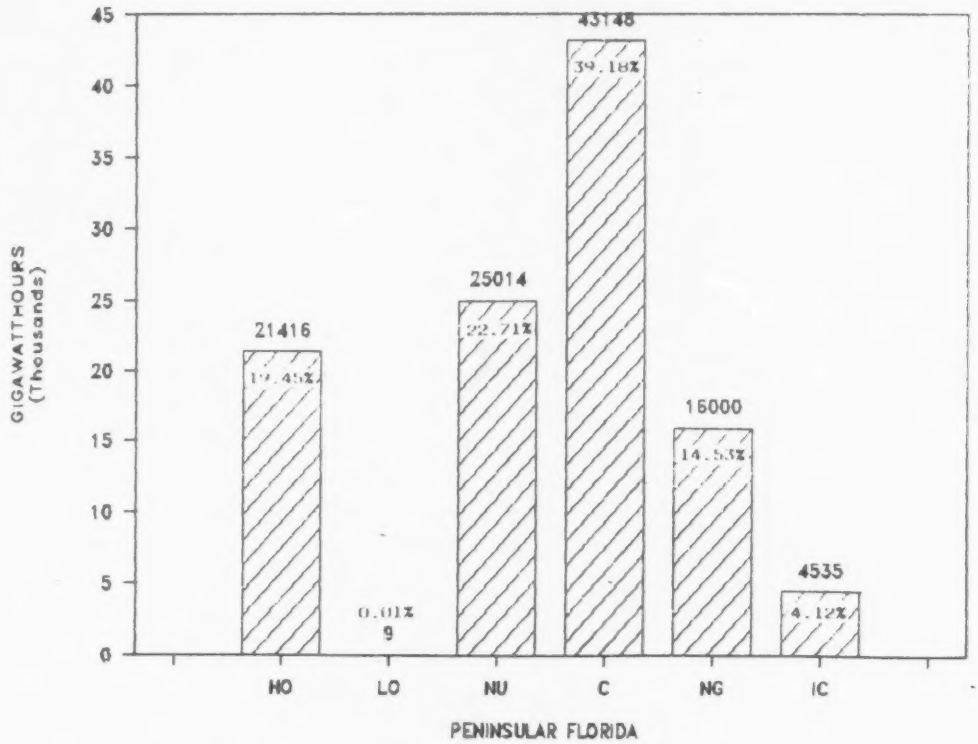
UTILITY	Average Residential Consumption for 1986	Gain in Average Residential Consumption	Customrs as of Dec.31,1986	Gain in Residential Customers	Residential Revenues for 1986	Percent Gain in Residential Revenues	Average Residential Revenue Per KWH Sold	Total Retail Operating Revenue	Percent Increase In Total Retail Operating Revenue
FLORIDA POWER & LIGHT COMPANY	11,232	2.3%	2,479,611	4.0%	$2,204,817,083	(3.4%)	$.0840	$3,986,688,732	(4.3%)
FLORIDA POWER CORPORATION	11,255	2.9%	898,379	4.1%	797,226,901	7.7%	.0812	1,372,286,686	6.6%
TAMPA ELECTRIC COMPANY	12,590	.2%	358,687	1.5%	352,570,380	8.6%	.0781	747,580,529	4.3%
GULF POWER COMPANY	12,729	4.2%	235,329	3.3%	200,724,521	7.7%	.0677	413,899,329	4.3%
FLORIDA PUBLIC UTILITIES									
Marianna Division	10,667	5.9%	8,122	2.1%	6,090,061	12.4%	.0708	13,935,344	5.1%
Fernandina Beach Division	12,263	4.5%	7,600	4.1%	6,781,456	(1.1%)	.0743	14,757,053	4.8%
REEDY CREEK UTILITIES CO., INC.	28,391	.6%	221	.0%	389,009	(.3%)	.0620	26,479,327	5.0%

NOTE: ABOVE REVENUES INCLUDE FUEL. PARENTHESES DENOTE NEGATIVE AMOUNT.

1986 PENINSULAR FLORIDA

INTERCHANGE AND GENERATING CAPABILITY AND GENERATION BY PRIMARY FUEL TYPE

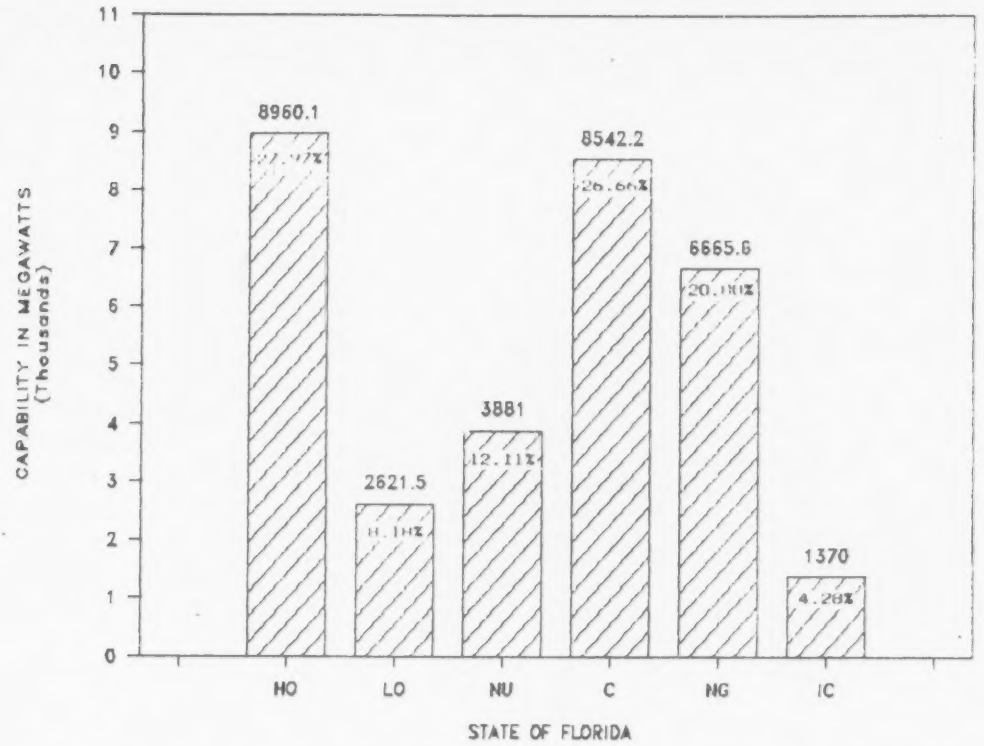


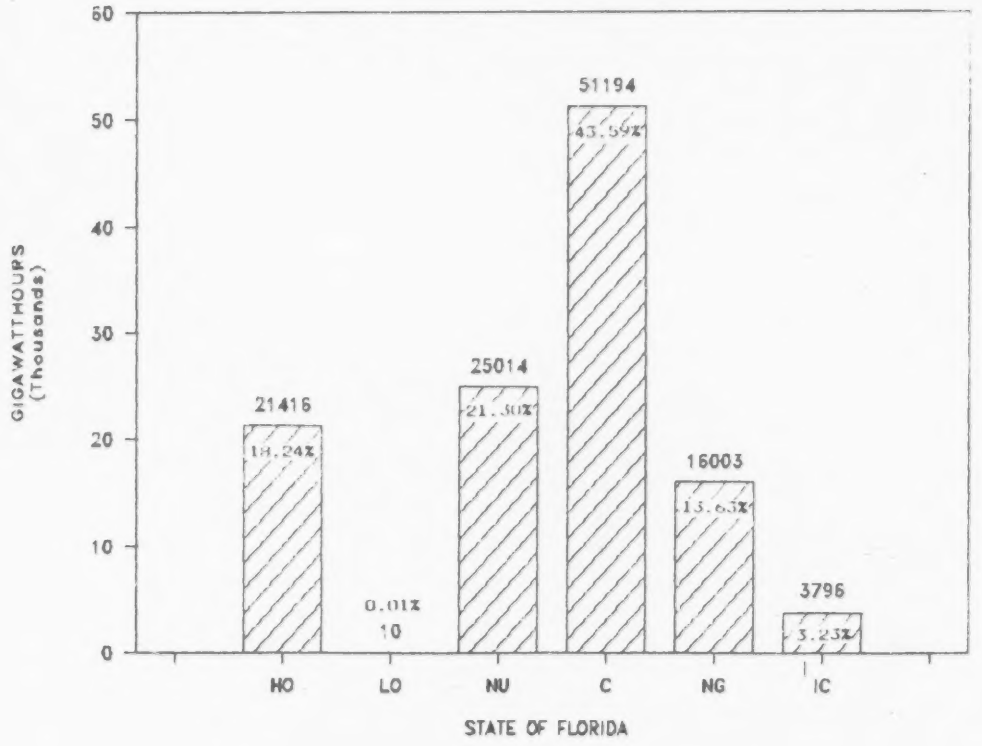


NOTE: Primary fuel types are designated by the following symbols: HO (heavy oil), LO (light oil), NU (nuclear), NG (natural gas) and C (coal). Interchange is designated as IC.

1986 STATE OF FLORIDA

INTERCHANGE AND GENERATING CAPABILITY AND GENERATION BY PRIMARY FUEL TYPE





NOTE: Primary fuel types are designated by the following symbols: HO (heavy oil), LO (light oil), NU (nuclear), NG (natural gas) and C (coal). Interchange is designated as IC.

INVESTOR-OWNED GAS UTILITIES
TYPICAL BILL COMPARISON *
RESIDENTIAL SERVICE
DECEMBER 31, 1986

UTILITY	Minimum Bill or Customer Charge	THERMS 20	30	40	50	75	100
CENTRAL FLORIDA GAS CORP.	$3.00	$12.84	$17.76	$22.68	$27.60	$39.90	$52.20
CITY GAS COMPANY OF FLORIDA	6.00	15.59	20.39	25.18	29.98	41.97	53.96
FLORIDA PUBLIC UTILITIES	6.00	15.21	19.82	24.42	29.03	40.54	52.05
GAINESVILLE GAS COMPANY	6.00	14.66	18.99	23.32	27.65	38.47	49.30
INDIANTOWN GAS COMPANY	5.00	11.23	14.35	17.46	20.58	28.36	36.15
MILLER GAS COMPANY	6.00	17.79	23.68	29.57	35.47	50.20	64.93
PALM BEACH COUNTY UTILITIES	5.00	17.47	23.70	29.93	36.17	51.75	67.34
PEOPLES GAS SYSTEM, INC.	6.00	15.55	20.32	25.10	29.87	41.81	53.74
PLANT CITY NATURAL GAS CO.	3.00	13.72	19.08	24.44	29.79	43.19	56.59
ST. JOE NATURAL GAS COMPANY	3.00	8.37	11.05	13.73	16.42	23.12	29.83
SOUTH FLORIDA NATURAL GAS CO.	5.00	18.30	24.94	31.59	38.24	54.86	71.48
SOUTHERN GAS COMPANY	5.00	14.41	19.11	23.82	28.52	40.28	52.05
WEST FLORIDA NATURAL GAS	6.00	13.47	17.20	20.94	24.67	34.01	43.35

*Excluding Local Taxes / DECEMBER 1986 - GAS COSTS ARE INCLUDED
(1 Therm = 100,000 Btu)

INVESTOR-OWNED
GAS UTILITIES
GROWTH AND USE STATISTICS
DECEMBER 31, 1986

UTILITY	Average Residential Consumption for 1986	Percent Gain in Average Residential Consumption	Residential Customers as of Dec.31,1986	Percent Gain in Residential Customers	Residential Revenues for 1986	Percent Gain in Residential Revenues	Average Residential Revenue Per Therm Sold	Total Retail Operating Revenue	Percent Increas In Total Retail Operating Revenue
CENTRAL FLORIDA GAS CORP.	347	(4.9%)	4,980	7.5%	$978,475	(7.8%)	$.5942	$14,547,885	(25.0%)
CITY GAS COMPANY OF FLORIDA	276	.7%	71,521	1.3%	$14,607,036	(8.2%)	$.7477	$35,836,721	(14.3%)
FLORIDA PUBLIC UTILITES	299	.0%	31,331	.5%	$6,314,647	(1.0%)	$.6804	$23,193,492	(10.4%)
GAINESVILLE GAS COMPANY	414	3.5%	16,194	1.4%	$4,117,659	1.0%	$.6275	$11,607,853	(13.4%)
INDIANTOWN GAS COMPANY	300	.0%	506	(1.0%)	$78,579	(12.8%)	$.5171	$1,014,423	(9.3%)
MILLER GAS COMPANY	237	3.0%	4,649	(1.6%)	$1,006,354	(10.9%)	$.9037	$1,578,004	(5.0%)
PALM BEACH COUNTY UTILITIES CORP.	192	1.0%	2,292	(1.3%)	$387,993	(16.0%)	$.8790	$778,698	(5.0%)
PEOPLES GAS SYSTEM, INC.	261	2.8%	149,477	(1.1%)	$27,127,443	1.7%	$.6981	$168,627,439	(14.8%)
PLANT CITY NATURAL GAS CO.	260	(4.0%)	800	4.0%	$131,701	(6.0%)	$.7030	$2,244,192	(16.0%)
ST.JOE NATURAL GAS COMPANY	386	1.0%	2,386	7.6%	$353,889	(11.2%)	$.3922	$3,918,452	17.5%
SOUTH FLORIDA NATURAL GAS CO.	300	2.4%	3,137	.5%	$749,353	(4.5%)	$.8170	$1,531,415	(21.0%)
SOUTHERN GAS COMPANY	244	(2.0%)	3,570	(.8%)	$655,398	(9.0%)	$.7300	$11,096,202	(13.9%)
WEST FLORIDA NATURAL GAS COMPANY	373	.0%	17,998	.7%	$3,998,487	1.8%	$.5951	$14,455,358	(24.0%)

NOTE: ABOVE REVENUES INCLUDE FUEL. PARENTHESES DENOTE NEGATIVE AMOUNT.